

Message Text

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ACTION EA-07

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FM AMEMBASSY TOKYO

TO SECSTATE WASHDC PRIORITY 0029

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EA/J FOR SHERMAN

E.O. 11652: N/A

TAGS: JA, PFOR

SUBJ: DRAFT SPEECH FOR ASSISTANT SECRETARY INGERSOLL

1. HERE IS A ROUGH DRAFT OF A SPEECH WHICH ASST SECY INGERSOLL MAY WISH TO USE IN SAN FRANCISCO LATER THIS MONTH. HOPE IT IS USEFUL. YOU WILL SEE THAT IT OWES A GOOD DEAL TO DICK SNEIDER'S REMARKS BEFORE THE UNA MEETING IN WILLIAMSBURG LAST OCTOBER.

2. BEGIN TEXT. I HAVE JUST COMPLETED A SIX-WEEK JOURNEY WHICH TOOK ME TO VIRTUALLY EVERY COUNTRY IN EAST ASIA. THESE TRAVELS AND THE OPPORTUNITIES THEY PRESENTED TO TALK WITH SCORES OF GOVERNMENTAL, BUSINESS, AND ACADEMIC LEADERS IN 14 COUNTRIES, IMPRESSED ME WITH THE VITALITY OF EAST ASIA, THE EVER-INCREASING ECONOMIC INTER-DEPENDENCE OF THE PACIFIC BASIN, AND THE EXTRAORDINARY BREADTH OF US POLITICAL, SECURITY, AND COMMERCIAL INTERESTS THROUGHTOUT THE AREA.

EVERYWHERE I WENT I SAW EVIDENCE OF THE FUNDAMENTAL IMPORTANCE OF PRESERVING CLOSE COOPERATIVE RELATIONS WITH JAPAN. THROUGHOUT THE PACIFIC AREA STATESMEN RECOGNIZE OUR SECURITY TIES WITH THE JAPANESE AS A FUNDAMENTAL PILLAR OF REGIONAL STABILITY. THE ECONOMIC PROSPERITY AND GROWTH PROSPECTS OF THE AREA DEPEND HEAVILY ON CONTINUED US AND JAPANESE ECONOMIC ASSISTANCE, INVESTMENT FUNDS AND ACCESS TO OUR RESPECTIVE MARKETS. THE POLITICAL CALCULATIONS OF REGIONAL LEADERS ARE PREMISED, TO AN IMPORTANT EXTENT, ON THE CONTINUATION OF A CLOSE, COOPERATIVE RELATIONSHIP BETWEEN TOKYO AND WASHINGTON. I RETURN

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MORE CINVINCED THAT EVER THAT WISE MANAGEMENT OF OUR RELATIONS

WITH JAPAN WILL PROMOTE THE ADVANCEMENT OF US INTERESTS THROUGHOUT EAST ASIA; CONVERSELY, MISMANAGEMENT OF THOSE RELATIONS WILL SURELY HAVE A "MULTIPLIER EFFECT" ON DIFFICULTIES WE CAN EXPECT ELSEWHERE.

IN SPEAKING TODAY ABOUT US-JAPAN RELATIONS, INSTEAD OF DWELLING ON CURRENT ISSUES OR POSSIBLE FUTURE PROBLEMS AND OPPORTUNITIES, I WOULD LIKE TO OFFER A FEW BRIEF OBSERVATIONS ON A CURIOUS PARADOX WHICH STRUCK ME WITH INCREASING FORCE DURING MY TENURE IN TOKYO: DESPITE THE REPEATED SUCCESS WE AND THE JAPANESE HAVE HAD IN SURMOUNTING PRACTICAL PROBLEMS IN OUR BILATERAL RELATIONS, THE APPEARANCE OF EVERY NEW SOURCE OF FRICTION INVARIABLY GIVES RISE TO ANXIOUS OFFICIAL SOUL-SEARCHING AND WIDESPREAD JOURNALISTIC SPECULATION ABOUT THE SURVIVAL OF THE RELATIONSHIP ITSELF. THE DURABILITY OF THE US-JAPAN RELATIONSHIP IS DEMONSTRATED BY ITS SURVIVAL OF PERIODIC CRISES; YET DOUBTS ABOUT ITS RESILIENCE AND ADAPTABILITY PERSIST.

WHAT ACCOUNTS FOR THE SUCCESSFUL MANAGEMENT OF PRACTICAL DIFFICULTIES? WHY DO AMERICANS AND JAPANESE FREQUENTLY OVERREACT TO EACH NEW PROBLEM? WHAT CAN BE DONE ABOUT THIS?

THERE IS CERTAINLY NO QUESTION ABOUT THE FACT THAT OUR RELATIONS WITH JAPAN HAVE UNDERGONE A PROFOUND TRANSFORMATION AND ADJUSTMENT TO NOVEL CONDITIONS IN RECENT YEARS. POLITICALLY WE ARE BOTH PURSUING EFFORTS TO IMPROVE OUR TIES WITH THE MAJOR COMMUNIST POWERS. RECURRING REFERENCES TO THE SO-CALLED "NIXON SHOCK" OF JULY 1971 NOTWITHSTANDING, THE SOMEWHAT DIFFERENT APPROACHES WE HAVE BOTH DEVELOPED FOR DEALING WITH CHINA, THE SOVIET UNION, AND THE DIVIDED COUNTRIES IN KOREA AND INDOSIA HAVE PROVED MUTUALLY COMPATIBLE, AND THEIR EVOLUTION HAS BEEN MARKED BY CONTINUING AND FRANK CONSULTATIONS.

TWO YEARS AGO OUR SECURITY RELATIONS WITH JAPAN WERE AN EXTREMELY CONTENTIOUS ISSUE IN JAPANESE DOMESTIC POLITICS. SINCE THAT TIME, HOWEVER, THE OKINAWA REVERSION ISSUE HAS BEEN FINALLY REMOVED FROM THE AGENDA OF OUR BILATERAL RELATIONS. ADJUSTMENTS IN OUR RELATIONS WITH CHINA HAVE TRANSFORMED THE MUTUAL SECURITY TREATY FROM AN INSTRUMENT OF CONTAINMENT INTO A KEY ELEMENT OF AN EVOLVING SECURITY SYSTEM IN WHICH ALL THE MAJOR POWERS IN ASIA HAVE A STAKE. AN END TO US INVOLVEMENT IN THE VIETNAM CONFLICT REMOVED A CRITICAL SOURCE OF EMOTIONAL OPPOSITION TO THE US PRESENCE IN JAPAN. THE ORDERLY CONSOLIDATION OF OUR MILITARY FACILITIES IN JAPAN -- FORMULATED AND IMPLEMENTED UNDER LIMITED OFFICIAL USE

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COMPLEMENTED WITH THE ADMINISTRATIVE AND FINANCIAL ASSISTANCE OF THE JAPANESE GOVT -- HAS RATIONALIZED OUR USE OF SCARCE LAND, PERMITTED US SIGNIFICANT BUDGETARY SAVINGS, AND LANDED POTENTIALLY TROUBLESOME POLITICAL PROBLEMS IN HEAVILY POPULATED AREAS OF JAPAN. THE REFINEMENT OF CONSULTATIVE CHANNELS HAS FACILITATED THE "SMOOTH AND EFFECTIVE" IMPLEMENTATION OF THE TREATY, AND ENABLES US INCREASINGLY TO ANTICIPATE RATHER THAN MERELY REACT TO PROBLEMS.

PERHAPS THE MOST DRAMATIC ADJUSTMENTS HAVE TAKEN PLACE IN THE TRADE FIELD. IN 1972 WE RAN A \$4.2 BILLION BILATERAL DEFICIT WITH JAPAN. IN 1973 THIS FIGURE WAS REDUCED TO \$1.3 BILLION -- A REMARKABLE TURAROUND IN A SINGLE YEAR. THE RECOVERY OF THE JAPANESE ECONOMY FROM ITS 1972 SLUMP SURELY HALEPED, AS DID THE GENERAL INFLATION OF WORLD COMMODITY PRICES. EQUALLY IMPORTANT, HOWEVER, THE JAPANESE, ACKNOWLEDGING THEIR OWN ECONOMIC STRENGTH AND THEIR OWN STAKE IN RECIPROCAL TREATMENT IN FOREIGN MARKETS, ELIMINATED A HOST OF OUTDATED RESTRICTIONS ON THE IMPORT OF GOODS AND CAPITAL, MODIFIED LONG-STANDING EXPORT PROMOTION PRACTICES, REVALUED THEIR CURRENCY, INTRODUCED AN EXPANSIONARY BUDGET AND ADJUSTED THEIR DISTRIBUTION SYSTEM -- THEREBY PROMOTING A SHARP INCREASE IN IMPORTS, ESPECIALLY FROM THE UNITED STATES.

THUS, WHETHER ONE LOOKS AT POLITICAL, SECURITY, OR COMMERCIAL RELATIONS IMPORTANT ADJUSTMENTS HAVE BEEN MADE, PROBLEMS HAVE BEEN RESOLVED, POINTS OF CONTENTION HAVE BEEN EASED OR REMOVED, THE BENEFITS OF COOPERATION HAVE BEEN SUSTAINED EVEN AS THE METHODS AND TERMS OF COOPERATION HAVE IN SOME CASES BEEN SIGNFICIANTLY REDefined.

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EA/J FOR SHERMAN

IN THE LIGHT OF THIS EXPERIENCE IT IS ALL THE MORE SURPRISING THAT SO MANY PEOPLE DEVOTE SO MUCH TIME AND ATTENTION TO AN EXERCISE ONE OF MY COLLEAGUES IN THE STATE DEPT CALLS "TAKING THE TEMPERATURE OF THE US-JAPAN RELATIONSHIP". TOO MANY PEOPLE EXPEND TOO MUCH ENERGY WORRYING WHETHER THE APPEARANCE OF ANY SYMPTOM OF ILL-HEALTH MAY SIGNAL THE DEMISE OF THE PATIENT. PERHAPS THIS REFLECTS HISTORIC MEMORIES OF RIVALRY. IT IS TESTI-

MONEY TO THE FACT THAT UNLIKE SOME OTHER AMERICAN ALLIANCES OUR RELATIONS WITH JAPAN ARE NOT UNDERPINNED BY A COMMON LANGUAGE, RELIGION OR CULTURAL LEGACY. THE ARE, HOWEVER, GROUNDED IN AN EXTRAORDINARY RANGE OF COMMON INTERESTS. AND I BELIEVE THAT IT IS HIGH TIME WE STOP WORRYING ABOUT THE SURVIVAL OF COOPERATIVE US-JAPANESE TIES, AND FOCUS OUR ATTENTION ON THE IMPORTANT BUSINESS OF "FINE-TUNING" THE RELATIONSHIP TO THE CHANGING REQUIREMENTS OF A RAPIDLY CHANGING WORLD. BY "FINE-TUNING" THE RELATIONSHIP, I MEAN ADJUSTING THE POLICIES OF BOTH GOVTS TO MEET NEW PROBLEMS OR ACCOMMODATE NEW DEVELOPMENTS IN OLD PROBLEM AREAS. AS WE GO ABOUT THIS BUSINESS, WE MIGHT WELL KEEP THE FOLLOWING PROPOSITIONS IN MIND:

--IT IS NEITHER DESIRABLE NOR POSSIBLE TO ESCAPE THE IMPERATIVES OF OUR POLITICAL, ECONOMIC, AND STRATEGIC INTER-

DEPENDENCE WITH JAPAN. THE TANGIBLE AND INTANGIBLE BENEFITS OF THAT ASSOCIATION ARE EXTRAORDINARILY DIVERSE AND RICH. OUR WELL-BEING AS CONSUMERS (WITH A STAKE IN FIGHTING INFLATION), THE PROSPERITY OF MANY OF OUR INDUSTRIES, OUR ABILITY TO PROJECT OUR INFLUENCE EFFECTIVELY ONTO THE ASIAN SCENE, OUR CAPACITY

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TO PROMOTE THE FURTHER RELAXATION OF TENSIONS IN AREAS OF FORMER CONFLICTS IN ASIA ALL DEPEND IMPORTANTLY ON THE PRESERVATION OF CLOSE, MUTUALLY BENEFICIAL RELATIONS WITH JAPAN. WE ARE NOT MERE TEMPORARY ALLIES, WE ARE DESTINED TO BE PERMANENT FRIENDS.

--OBVIOUSLY, BETWEEN SOCIETIES AS DYNAMIC AS OURS AND ECONOMIES AS COMPETITIVE AS OURS THERE WILL BE CONSTANT SOURCES OF FRICTION. THE PROBLEMS OF TRADE, AND MONEY, AND ENERGY, MOREOVER, DIRECTLY ENGAGE THE INTERESTS OF A HOST OF POWERFUL DOMESTIC INTERESTS IN BOTH COUNTRIES. ACCOMMODATING THE INTERESTS OF DOMESTIC CONSTITUENCIES WITH THE REQUIREMENTS OF INTERNATIONAL COOPERATION CAN BE DIFFICULT AS WELL AS TIME-CONSUMING AND FRUSTRATING. BUT IT IS AN ESSENTIAL TASK, AND IT IS A SIGN OF MATURITY THAT WE AND THE JAPANESE ARE NOT SWEEPING THRONY PROBLEMS UNDER THE RUG BUT DEALING WITH THEM HEAD-ON AND IN AN INCREASINGLY OPEN AND HARD-HEADED MANNER. THERE IS A DIFFERENCE BETWEEN NOT DUCKING PROBLEMS AND BEING PANICKED BY THEM. BETTER AN OCCASIONALLY STORMY MARRIAGE THAN A QUIET SULLEN DIVORCE.

--WE NEED TO DISCRIMINATE MORE CAREFULLY BETWEEN DIFFERING CIRCUMSTANCES AND DIVERGING INTERESTS. OBVIOUSLY IMPORTANT DIFFERENCES WILL CONTINUE TO MARK THE STRATEGIC, ECONOMIC, AND POLITICAL CIRCUMSTANCES OF JAPAN AND THE UNITED STATES. THE US POSSESSES STRATEGIC MILITARY POWER WITH A GLOBAL REACH; JAPAN'S MILITARY POSTURE IS CONFINED TO LIMITED CONVENTIONAL ARMAMENTS DESIGNED EXCLUSIVELY FOR THE DEFENSE OF THE JAPANESE HOME ISLANDS AND THE RYUKYUS. COMMERCIALY WE SELL JAPAN PRIMARILY FOODSTUFFS, RAW MATERIALS, AND HIGH TECHNOLOGY ITEMS

WHILE WE PURCHASE IN RETURN A WIDE VARIETY OF MANUFACTURED GOODS. POLITICALLY, WE HAVE ARTICULATED A RATHER COMPREHENSIVE DESIGN FOR A STRUCTURE OF WORLD ORDER; THE JAPANESE ARE DEVELOPING A BROADER VISION OF THEIR POLITICAL RESPONSIBILITIES, BUT JAPANESE INSTINCTS HAVE BEEN SHAPED BY THE PURSUIT FOR MOST OF THE PAST TWO DECADES OF A "LOW" FOREIGN POLICY PROFILE. ONE CAN DWELL TOO MUCH ON SUCH DIFFERENCES. COMPLEMENTARY RELATIONS ARE FORGED BY PEOPLES EXPERIENCING DIFFERENT CIRCUMSTANCES YET PURSUING CONVERGING AIMS.

--"FINE TUNING" US-JAPAN RELATIONS WILL REQUIRE CONTANT ATTENTIVENESS TO OPPORTUNITIES TO "UPGRADE THE COMMON INTERESTS". IN OUR BILATERAL TRADE, FOR EXAMPLE, COMPARATIVE ADVANTAGES WILL SHIFT OVER TIME, AS WILL OUR RESPECTIVE BALANCE OF TRADE LIMITED OFFICIAL USE

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AND PAYMENTS. BUT WE HAVE A COMMON STAKE IN PROMOTING A RAPID EXPANSION IN THE OVERALL VOLUME OF TRADE AND IN ASSURING THE PRINCIPLE OF RECIPROCITY. SUCH COMMON INTERESTS ARE SOMETIMES MORE READILY DISCERIBLE IF THE FOCUS IS SHIFTED AWAY FROM THE BILATERAL CONTEXT TO A WIDER MULTILATERAL FRAMEWORK. INDEED THAT IS PRECISELY WHAT WE ARE ATTEMPTING TO ACCOMPLISH IN THE TRADE AND MONETARY FIELDS. HAVING ACHIEVED A MORE EQUITABLE AND RECIPROCAL BILATERAL TRADE BALANCE AND A MORE APPROPRIATE RELATIONSHIP OF CURRENCY VALUES, WE ARE SEEKING TO REFORM THE MONETARY SYSTEM AND ROLL BACK ADDITIONAL TARIFF AND NON-TARIFF BARRIERS TO TRADE THROUGH MULTILATERAL NEGOTIATIONS IN THE GATT AND IMF.

POLITICALLY WE ARE ALSO SEEKING TO STRENGTHEN THE MULTILATERAL DIMENSIONS OF US-JAPAN RELATIONS. ONCE THOSE RELATIONS WERE DEFINED PRICIPALLY AGAINST THE BACKDROP OF A BILATERAL SECURITY TREATY AND A BILATERAL TRADE RELATIONSHIP. AS WE BOTH DIVERSIFY OUR POLITICAL AND ECONOMIC RELATIONSHIPS, I BELIEVE WE ARE DEVELOPING A MORE COMPLTE AND MORE DETACHED APPRECIATION OF THE BROAD RANGE OF INTERESTS WE SHARE.

WE ARE LOOKING FOR A COHERENT FRAMEWORK WITHING WHICH WE MAY APPROACH NEW PROBLEMS IN A COOPERATIVE WAY. IT IS INCREASINGLY APPARENT THAT THE ISSUES MOST CENTRAL TO THE LIVELIHOOD OF OUR PEOPLES AND THE POLICY CONCERNS OF OUR GOVTS -- THE STABILITY OF CURRENCIES, THE RULES GOVERNING INTERNATIONAL TRADE, ASSURING ADEQUATE SUPPLIES OF ENERGY AT REASONABLE PRICES -- CANNOT BE MET BY EITHER THE US OR JAPAN IN ISOLATION. THEY WILL NOT YIELD TO BILATERAL SOLUTIONS. NOR CAN THEY BE TREATED WITHIN AN ESSENTIALLY ATLATIC FRAMEWORK. THEY ARE GLOBAL PROBLEMS. BUT THEY ENGAGE THE INTERESTS OF THE ADVANCED INDUSTRIAL DEMOCRACIES OF WESTERN EUROPE, NORTH AMERICA, AND JAPAN MOST IMMEDIATELY AND MOST EXTENSIVELY. WE THINK THAT THE ELABORATION OF MORE INTENSIVE MODES OF COOPERATION AMONG THOSE COUNTRIES IS AN ESSENTIAL PART OF ANY SERIOUS EFFORT TO COPE WITH THESE PROBLEMS. IT WAS WITH THIS IN MIND THAT WE HAVE BEEN SEEKING TO ASSOCIATE JAPAN WITH OUR ENDEAVOR TO WORK OUT A DE-

CLARATION OF PRINCIPLES WITH OTHER ADVANCED INDUSTRIAL DEMO-
CRACIES.

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ACTION EA-07

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EA/J FOR SHERMAN

I HAVE BEEN SUGGESTING THAT WE NEED TO AVOID BEING PANICKED
BY PROBLEMS, THAT WE NEED TO CEASE WORRYING SO MUCH ABOUT THE
DURABILITY OF CORDIAL US-JAPANESE RELATIONS, AND THAT WE NEED
TO RECOGNIZE THAT THE CENTRAL TASK IS ONE OF "FINE TUNING".
BUT WHERE IS THE FINE TUNING MOST LIKELY TO BE REQUIRED IN THE
NEAR FUTURE?

IN THE BILATERAL AREA FEWER CRITICAL ADJUSTMENTS SEEM RE-
QUIRED THAN HAS FREQUENTLY BEEN THE CASE IN THE PAST. WE WILL
OBVIOUSLY HAVE TO KEEP A SHARP EYE ON TRADE PROBLEMS. THE RIS-
ING COST OF ENERGY SUPPLIES WILL PROVIDE US BOTH WITH INCENTIVES
TO COVER THIS BILL THROUGH EXPANDED EXPORTS. BUT ALL CONSUMER
NATIONS FACE RISING COSTS; ALL CANNOT OBVIOUSLY RUN TRADE SUR-
PLUSES WITH EACH OTHER.

THE JAPANESE HAVE SUBSTANTIALLY LIBERALIZED RESTRICTIONS
ON FOREIGN CAPITAL INVESTMENT IN JAPAN. THEY ARE ALSO RAPIDLY
BECOMING A MAJOR CREDITOR NATION AND A POTENT SOURCE OF OVERSEAS
INVESTMENT FUNDS, AS I HARDLY NEED TELL A CALIFORNIA AUDIENCE.
THIS IS TO BE WELCOMED. WE ALL STAND TO GAIN FROM FREER FLOWS
OF CAPITAL AS WELL AS GOODS. BUT, OF COURSE, WE CAN ALSO EXPECT
SOME PROBLEMS. JAPANESE BUSINESSMEN -- AS WELL AS OUR OWN -- ARE
HAVING TO LEARN TO BE GOOD CITIZENS OF COUNTRIES IN WHICH THEY
ARE DEVELOPING THEIR BUSINESS VENTURES. IN JAPAN, AMERICAN
FIRMS HAVE HAD TO ADJUST TO A DIFFERENT PATTERN OF LABOR-MANAGE-
MENT RELATIONS. FOR OUR PART WE HOPE THAT AS THE JAPANESE EX-
PAND THEIR INVESTMENT IN THE US, THEY WILL FIND EMPLOYMENT-

GENERATING PROJECTS ESPECIALLY ATTRACTIVE. IN THE SECURITY
AREA WE WILL HAVE TO MAKE CONTINUING ADJUSTMENT IN THE STRUCTURE
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AND FUNCTIONING OF OUR BASES IN JAPAN TO SUIT THE REALITIES OF
BOTH COUNTRIES. AND, OF COURSE, THERE WILL BE AN EVEN GREATER
NEED IN THE FUTURE FOR A SOPHISTICATED DIALOGUE ON SECURITY
ISSUES AS WE BOTH ADJUST OUR DEFENSE POSTURES AND OUR DIPLOMATIC
STRATEGIES FOR DEALING WITH THE CHANGING REALITIES OF THE
ASIAN SCENE.

IN THE MULTILATERAL AREA THE MOST DEMANDING CHALLENGES FOR
FINE TUNING ARE LIKELY TO COME IN THE FIELD OF ENERGY AND
NATURAL RESOURCES. CLEARLY OUR NATIONAL SITUATIONS ARE VASTLY
DIFFERENT. FOR THE US, ACHIEVING SELF-SUFFICIENCY IN ENERGY
SUPPLIES IS A PLAUSIBLE POSSIBILITY AND POLICY OBJECTIVE. FOR
THE JAPANESE IT IS AN IMPOSSIBLE DREAM. DIVERSIFICATION OF
SOURCES RATHER THAN SELF-SUFFICIENCY OF SUPPLIES IS THE
CENTRAL AIM OF JAPAN. BUT IT IS MISLEADING TO SUGGEST, AS SOME
HAVE, THAT CONTRASTING REQUIREMENTS AND VULNERABILITIES NECESS-
ARILY DICTATE DIVERGING POLICIES. ON THE CONTRARY WE SHARE
WITH JAPAN A HOST OF COMMON INTERESTS IN THIS FIELD.

--AS THE WORLD'S LARGEST IMPORTERS OF PETROLEUM WE SHARE A
STAKE IN AVOIDING FORMS OF COMPETITION THAT WILL MERELY BID
UP THE PRICES FOR EVERYONE WHILE CREATING CHAOS IN WORLD OIL
MARKETS AND STIMULATING POLITICAL RIVALRIES.

--AS ADVANCED COUNTRIES WHICH CONSUME A DISPROPORTIONATE
SHARE OF WORLD ENERGY AND RAW MATERIAL SUPPLIES, WE HAVE A
COMMON INTEREST IN IMPOSING RESTRAINTS ON THE RATE OF INCREASE
IN DEMAND FOR INCREASINGLY SCARCE SUPPLIES AND IN DEVELOPING
MORE EFFICIENT MEANS OF UTILIZING FUELS AND INDUSTRIAL RAW
MATERIALS.

--AS TECHNICALLY SOPHISTICATED COUNTRIES WITH MOUNTING
ENERGY REQUIREMENTS, WE HAVE AN OPPORTUNITY TO POOL OUR
RESEARCH AND DEVELOPMENT EFFORTS IN ORDER TO OBTAIN ALTERNATIVE
ENERGY SOURCES WITHOUT WASTEFUL DUPLICATION OF EFFORT.

--AS NATIONS WHOSE PROSPERITY DEPENDS ON THE SUCCESSFUL
DEVELOPMENT OF GENERALLY ACCEPTED RULES FOR MANAGING THE INTERNATIONAL
ECONOMIC SYSTEM, WE HAVE AN OBVIOUS STAKE IN DEVELOPING
A STABLE PATTERN OF CONSUMER-PRODUCER RELATIONS IN THE
ENERGY FIELD AND MANAGING THE MASSIVE SHIFT OF OIL DOLLARS
TO THE OPEC COUNTRIES IN A MANNER THAT IS CONSISTENT WITH A
LIBERALIZATION OF WORLD TRADING ARRANGEMENTS, STABILIZATION OF
THE INTERNATIONAL MONETARY SYSTEM, AND THE PROMOTION OF CONTINUED
ECONOMIC GROWTH IN THE LESS DEVELOPED COUNTRIES.

THIS IS NOT TO SAY THAT THERE WILL BE NO ELEMENTS OF COM-
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PETITION BETWEEN US IN THIS FIELD. WE CAN EXPECT DIFFICULTIES IN COORDINATING OUR NATIONAL POLICIES. BUT WITHIN THIS BROAD FRAMEWORK OF COMMON AND COMPLEMENTARY INTERESTS, THE HARMONIZATION OF POLICIES SHOULD BE POSSIBLE. IT IS CERTAINLY NECESSARY. THAT APPROPRIATE ADJUSTMENTS CAN BE MADE WAS CLEARLY DEMONSTRATED BY THE BROAD AREAS OF AGREEMENT DEVELOPED BETWEEN US AT THE WASHINGTON ENERGY CONFERENCE HELD EARLIER THIS MONTH.

LOOKING BACK OVER THE YEARS SINCE WORLD WAR II, BOTH AMERICANS AND JAPANESE CAN TAKE PRIDE IN THE RELATIONSHIP THAT HAS BEEN FORGED BETWEEN THESE TWO SOCIETIES SO ALIKE AND SO DIFFERENT IN MANY WAYS. IN BREADTH AND DEPTH THAT RELATIONSHIP HAS NO EQUAL IN THE HISTORY OF CONTACT BETWEEN EAST AND WEST. THIS HAS NOT BEEN THE WORK OF GOVTS ALONE; INDIVIDUAL PRIVATE CITIZENS AND A GREAT VARIETY OF ORGANIZATIONS HAVE CONTRIBUTED MIGHTILY TO THIS ACCOMPLISHMENT. WE ALL NOW MUST SHARE IN THE TASKS OF REFINING AND ADAPTING THIS RELATIONSHIP TO MEET THE CHALLENGES AND OPPORTUNITIES WHICH LIE AHEAD. THE REWARD FOR OUR SUCCESS WILL BE THE CONTRIBUTION WE SHALL MAKE THEREBY TO BUILDING THAT STRUCTURE OF LASTING PEACE ON WHICH THE HAPPINESS AND PROSPERITY OF OUR PEOPLE DEPENDS. END TEXT.

SHOESMITH

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